

# EXHIBIT IV

## Lease to Own to Cut Building Occupancy Costs

Attached:

- Senate bill 1340 – 1998 - Enabling legislation

# STATEMENT OF PURPOSE

RS 07649

## MANAGEMENT OF STATE LEASES - ADOPTING THE OPTION LEAST COSTLY TO THE TAXPAYER AND ACCOUNTABILITY REPORTING

This legislation would achieve three important objectives:

- 1 It makes leasing building space subject to the same public scrutiny as is now accorded the purchase of buildings. Specifically, it requires state agencies to cost compare each of their facility leases in effect at July 1, 1998, or entered into subsequent to that date with all viable lease options, including leasing from the Idaho State Building Authority (ISBA). After making such comparison, it requires the state agency to *select the lease option that provides suitable facility space at the lowest responsible cost to the taxpayer* and justify their selection to the administration and the Legislature. If the selection is different from their current lease the agency must present the estimated time-line necessary to implement the least costly option. This legislation does not require any change to any existing state lease unless such lease is determined to be significantly more expensive than another suitable option.
- 2 It establishes a statewide facilities management system under the Department of Administration (DOA) that includes coordinating with state agencies and confirming the need for and efficient utilization of building facility space occupied by such agencies.
- 3 It establishes disclosure and accountability controls.

### FISCAL IMPACT

Since this legislation only requires agencies to cost compare their facility leases, it does not by itself, have significant fiscal impact, other than for the cost of administering, evaluating and cost comparing facility leases that has not been adequately performed in the past. This cost is estimated at \$55,000 from dedicated funds in FY 1999.

However, savings could begin to accrue as soon as leases are signed with the State Building Authority since state agency lease payments to the SBA could be 10% less than their current leases and 100% savings would accrue as the bonds are paid off.

There would be no fiscal impact on local property taxes and no change in local property tax roles in moving state agencies from private, for-profit facilities to ISBA-financed facilities. However, future evaluations of the "least costly option" required by this legislation should include a case-by-case analysis of the effect the lease would have on local property taxes.

Contact Sen. Hal Bunderson 332-1374  
Rep. Jim Kempton 332-1265  
Gordon Fisher 334-4738

~~~~~  
 Fifty-fourth Legislature

## LEGISLATURE OF THE STATE OF IDAHO

~~~~~  
 Second Regular Session - 1998

## IN THE SENATE

SENATE BILL NO. 1340, As Amended

BY STATE AFFAIRS COMMITTEE

## AN ACT

RELATING TO THE LEASING OF FACILITIES FOR STATE USE; AMENDING SECTION 67-5708, IDAHO CODE, TO DEFINE FACILITIES, TO PROVIDE REFERENCES TO FACILITIES AND TO PROVIDE FOR AUTHORIZATION FOR STATE FACILITIES BY CONCURRENT RESOLUTION; AMENDING CHAPTER 57, TITLE 67, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 67-5708A, IDAHO CODE, TO PROVIDE FOR THE CREATION OF AN INVENTORY AND PROGRAM OF EVALUATION OF STATE FACILITIES LEASES; AND AMENDING SECTION 67-5709, IDAHO CODE, TO PROVIDE A REFERENCE TO FACILITIES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 67-5708, Idaho Code, be, and the same is hereby amended to read as follows:

67-5708. LEASING OF ~~OFFICE-SPACE FACILITIES~~ FOR STATE USE -- ~~MANAGEMENT OF-STATE-CAPITOL-MALL---~~ CONTROL OF PARKING. The department of administration shall negotiate for, approve, and make any and all lease or rental agreements for ~~office-space facilities~~ to be used by the various state departments, agencies and institutions in the state of Idaho.

For purposes of this ~~chapter~~ section and sections 67-5708A and 67-5709, Idaho Code, the term "~~office--space~~" "~~facility or facilities~~" may be used interchangeably and shall include and mean ~~the-warehouse-and-central-office-of the-idaho-state-liquor-dispensary~~ real property and improvements, including buildings and structures of any kind, excluding water rights not appurtenant to other facilities, and state endowment lands.

The department of administration shall manage multi-agency ~~office--space facilities~~ constructed, acquired or refurbished through the state building authority as established in chapter 64, title 67, Idaho Code, and shall sublease ~~such-office-space~~ the facilities to various state departments, agencies, and institutions in the state of Idaho. The department of administration is directed to operate any ~~property facilities~~ acquired for the state ~~capitol mall~~ and to enter into rental contracts and lease agreements not-inconsistent with the use of ~~such-capitol-mall-real-estate~~ the facilities for state building purposes when so authorized.

The director may authorize and enter into leases of state capitol mall real estate and multi-agency ~~office-space facilities~~ constructed through the state building authority, not needed for state building purposes, to other governmental entities or to nonprofit organizations upon such terms as are just and equitable.

The administrator of the division of public works shall promulgate rules for the control of the parking of motor vehicles in the state capitol mall. Any person who shall violate any of the provisions of the rules shall be subject to a fine of not less than two dollars (\$2.00) nor more than twenty-five dollars (\$25.00); provided however, that any person who shall violate any of the provisions of the rules concerning the altering, counterfeiting or misuse of parking permits shall be subject to a fine of not more than fifty dollars

1 (\$50.00).

2 Every magistrate and every court having jurisdiction of criminal offenses  
3 and the violation of public laws committed in the county of Ada shall have  
4 jurisdiction to hear and determine violations of the provisions of the rules  
5 and to fix, impose and enforce payment of fines therefor. Alleged violations  
6 of the parking rules are not subject to the provisions of chapter 52, title  
7 67, Idaho Code. The department of administration may pay costs incurred in the  
8 operation and management of those properties from rents received therefrom.

9 When a ~~state-building-or~~ facility of the state of Idaho is authorized by  
10 ~~statute concurrent resolution~~, and a maximum cost for ~~such-building-or the~~  
11 facility has been set by ~~statute concurrent resolution~~, the administrator of  
12 the division of public works may enter into lease-purchase or other time-  
13 purchase agreements with the Idaho state building authority or other party for  
14 ~~such-building-or the~~ facility.

15 SECTION 2. That Chapter 57, Title 67, Idaho Code, be, and the same is  
16 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
17 ignated as Section 67-5708A, Idaho Code, and to read as follows:

18 67-5708A. STATE FACILITIES MANAGEMENT -- COMPARATIVE LEASE COST ANALYSIS  
19 AND ACCOUNTABILITY. (1) The director of the department of administration shall  
20 establish a program to identify and maintain a current inventory of all leases  
21 of facilities used in any manner for the conduct of functions of state govern-  
22 ment now or hereafter entered into by any state department, agency or institu-  
23 tion. Not later than January 1, 1999, all departments, agencies and institu-  
24 tions shall submit copies of all leases of facilities to the director. The  
25 submitted inventory shall record the essential terms of the leases, including  
26 the rental rate, term of the lease, description of the facilities, the size of  
27 the facilities, and the governmental use of the facilities.

28 (2) The director of the department of administration shall establish a  
29 program for evaluation of all leases of facilities in effect on or to be  
30 entered into after January 1, 1999. No department, agency or institution may  
31 enter into or renew any lease of facilities after January 1, 1999, until a  
32 comprehensive analysis is performed by that department, agency or institution  
33 in accord with standards and criteria established by the director of the  
34 department of administration. The comprehensive analysis shall address, at a  
35 minimum, an evaluation of the need for facilities, space utilization effi-  
36 ciency, long-term needs and objectives, and viable alternatives to meet facil-  
37 ity needs, including acquiring facilities with appropriated funds and leasing  
38 facilities through the state building authority. Departments, agencies and  
39 institutions shall consult with the director when performing the comprehensive  
40 analysis and, with the director's assistance, shall select the alternative  
41 that best serves long-term needs and objectives and that provides suitable  
42 facilities at the lowest responsible cost to the taxpayer measured over the  
43 time the facilities are expected to be needed, or forty (40) years, whichever  
44 is less. Departments, agencies and institutions shall include a summary of  
45 the comprehensive analysis annually in their budget requests to the governor  
46 and the legislature, and shall include in that summary, where appropriate, the  
47 time necessary to implement their selection.

48 For purposes of this section, consideration of the "lowest responsible  
49 cost," shall take into account the estimated residual asset value of facili-  
50 ties acquired with appropriated funds, or acquired through the state building  
51 authority or other lease-purchase arrangements and the use of public lands,  
52 wherever practicable, that are owned or can be timely acquired by the state.

1 SECTION 3. That Section 67-5709, Idaho Code, be, and the same is hereby  
2 amended to read as follows:

3 67-5709. MANAGEMENT OF STATE OFFICE-SPACE FACILITIES. The director of the  
4 department of administration may pay personnel costs and operating expendi-  
5 tures incurred in the operation and management of the state capitol mall and  
6 the multi-agency office-space facilities constructed through the state build-  
7 ing authority from the rents received therefrom. Proceeds accruing from such  
8 rental contracts and lease agreements after payment of personnel costs and  
9 operating expenditures which are in excess of two hundred thousand dollars  
10 (\$200,000) at the end of the fiscal year shall be deposited to the credit of  
11 the permanent building account. Proceeds from the rental of parking spaces in  
12 the capitol mall shall be deposited upon receipt to the credit of the perma-  
13 nent building account. Said proceeds shall not be expended without an appro-  
14 priation and shall only be appropriated for the security, maintenance and  
15 upkeep of the state capitol mall.